

CITY OF SYRACUSE, KANSAS

**FINANCIAL STATEMENTS
with
INDEPENDENT AUDITOR'S REPORT
YEAR ENDED DECEMBER 31, 2011**

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Kennedy
McKee & Company LLP Certified Public Accountants

1100 W. Frontview
P. O. Box 1477
Dodge City, Kansas 67801
Tel. (620) 227-3135
Fax (620) 227-2308

JAMES W. KENNEDY, CPA
JAMES R. SHIRLEY, CPA
LU ANN WETMORE, CPA
ROBERT C. NEIDHART, CPA
PATRICK M. FRIESS, CPA
JOHN W. HENDRICKSON, CPA

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council
City of Syracuse, Kansas

We have audited the accompanying financial statements of the City of Syracuse, Kansas, as of and for the year ended December 31, 2011, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the Kansas Municipal Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note A, the City of Syracuse, Kansas, has prepared these financial statements in conformity with the accounting practices prescribed by the State of Kansas, to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, is presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Syracuse, Kansas as of December 31, 2011, or the changes in its financial position for the year then ended.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the cash and unencumbered cash balances of the City of Syracuse, Kansas, as of December 31, 2011, and its cash receipts and expenditures, and budgetary comparisons for the year then ended, taken as a whole, on the basis of accounting described in Note A.

Kennedy McKee & Company LLP

May 24, 2012

CITY OF SYRACUSE, KANSAS

SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH

Year ended December 31, 2011

<u>Fund</u>	<u>Beginning unencumbered cash balance</u>	<u>Prior year canceled encumbrances</u>
General fund	\$ 91,428	\$ -
Special revenue funds:		
Employee benefits	25,861	-
Parks and recreation	2,167	-
Special highway	7,743	-
Fire fighting equipment	24,206	-
Street machinery	66,376	-
Capital improvements	67,724	-
Debt service fund:		
Bond and interest	1,198	-
Enterprise funds:		
Water, sewer and refuse utility	159,612	-
Utility depreciation reserve	266,085	-
Total - excluding agency fund	<u>\$ 712,400</u>	<u>\$ -</u>
Composition of cash:		
Checking and savings accounts		
Certificates of deposit		
Utility petty cash checking		
Petty cash		
Total cash		
Water deposits agency fund		
Total cash - excluding agency fund		

The accompanying notes are an integral
part of the financial statements.

Cash receipts	Expenditures	Ending unencumbered cash balance	Add outstanding encumbrances and accounts payable	Ending cash balance
\$ 720,786	\$ 709,826	\$ 102,388	\$ -	\$ 102,388
102,048	79,402	48,507	-	48,507
2,947	1,608	3,506	-	3,506
46,609	39,943	14,409	-	14,409
4,134	-	28,340	-	28,340
-	-	66,376	-	66,376
10,000	9,846	67,878	9,846	77,724
16,072	16,000	1,270	-	1,270
641,133	608,186	192,559	6,864	199,423
35,000	-	301,085	-	301,085
<u>\$ 1,578,729</u>	<u>\$ 1,464,811</u>	<u>\$ 826,318</u>	<u>\$ 16,710</u>	<u>\$ 843,028</u>
				\$ 261,568
				601,870
				790
				<u>210</u>
				864,438
				<u>21,410</u>
				<u>\$ 843,028</u>

CITY OF SYRACUSE, KANSAS

SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET

(Budget Funds Only)

Year ended December 31, 2011

<u>Fund</u>	<u>Certified budget</u>	<u>Adjustment for qualifying budget credits</u>	<u>Total budget for comparison</u>	<u>Expenditures chargeable to current year</u>	<u>Variance favorable (unfavorable)</u>
General fund	\$ 797,800	\$ -	\$ 797,800	\$ 709,826	\$ 87,974
Special revenue funds:					
Employee benefits	110,000	-	110,000	79,402	30,598
Parks and recreation	5,000	-	5,000	1,608	3,392
Special highway	75,000	-	75,000	39,943	35,057
Fire fighting equipment	28,300	-	28,300	-	28,300
Debt service fund:					
Bond and interest	17,100	-	17,100	16,000	1,100
Enterprise funds:					
Water, sewer and refuse utility	<u>640,000</u>	<u>-</u>	<u>640,000</u>	<u>608,186</u>	<u>31,814</u>
Total	<u>\$ 1,673,200</u>	<u>\$ -</u>	<u>\$ 1,673,200</u>	<u>\$ 1,454,965</u>	<u>\$ 218,235</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF SYRACUSE, KANSAS

GENERAL FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended December 31,			
	2011			Variance
	2010	Actual	Budget	favorable (unfavorable)
Cash receipts:				
Taxes and shared revenue:				
Ad valorem property tax	\$ 174,752	\$ 183,048	\$ 196,770	\$ (13,722)
Delinquent tax	7,161	4,208	890	3,318
Motor vehicle tax	42,648	40,141	32,811	7,330
Franchise tax	64,857	71,842	75,000	(3,158)
Sales and compensating use tax	212,114	240,037	225,000	15,037
Alcohol tax	3,009	2,946	3,000	(54)
County solid waste	93,139	95,679	94,000	1,679
Charges for services	14,340	12,365	20,000	(7,635)
Licenses and permits	5,127	4,671	4,000	671
Fines	1,514	2,487	1,000	1,487
Interest	3,431	2,220	3,000	(780)
Miscellaneous	10,381	26,142	3,000	23,142
Operating transfer in	-	35,000	50,000	(15,000)
Total cash receipts	632,473	720,786	\$ 708,471	\$ 12,315
Expenditures:				
General government	193,915	211,476	\$ 245,000	\$ 33,524
Fire protection	21,611	23,493	25,000	1,507
Police protection	116,870	112,592	115,000	2,408
Highways and streets	106,926	161,000	160,000	(1,000)
Street lighting	26,656	26,469	25,000	(1,469)
Park department	1,407	4,446	20,000	15,554
Sanitation	38,340	49,605	80,000	30,395
Airport appropriation	16,000	16,000	16,000	-
Economic development	16,800	16,800	16,800	-
Sandhill ATV park	73,981	77,945	75,000	(2,945)
Transfer to:				
Capital improvement fund	10,000	10,000	20,000	10,000
Total expenditures and transfers	622,506	709,826	\$ 797,800	\$ 87,974
Receipts over (under) expenditures	9,967	10,960		
Unencumbered cash, beginning of year	81,461	91,428	\$ 89,329	\$ 2,099
Unencumbered cash, end of year	\$ 91,428	\$ 102,388		

The accompanying notes are an integral
part of the financial statements.

CITY OF SYRACUSE, KANSAS

EMPLOYEE BENEFITS FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended December 31,			
		2011		
	2010	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
Taxes:				
Ad valorem property tax	\$ 87,536	\$ 81,896	\$ 88,034	\$ (6,138)
Delinquent tax	2,447	1,782	1,000	782
Motor vehicle tax	13,465	18,370	16,434	1,936
Total cash receipts	<u>103,448</u>	<u>102,048</u>	<u>\$ 105,468</u>	<u>\$ (3,420)</u>
Expenditures:				
Health insurance	49,220	48,966	\$ 75,000	\$ 26,034
FICA	16,911	16,552	20,000	3,448
KPERs and unemployment	13,156	13,884	15,000	1,116
Total expenditures	<u>79,287</u>	<u>79,402</u>	<u>\$ 110,000</u>	<u>\$ 30,598</u>
Receipts over (under) expenditures	24,161	22,646		
Unencumbered cash, beginning of year	<u>1,700</u>	<u>25,861</u>	<u>\$ 4,352</u>	<u>\$ 21,509</u>
Unencumbered cash, end of year	<u>\$ 25,861</u>	<u>\$ 48,507</u>		

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part of the financial statements.

CITY OF SYRACUSE, KANSAS

PARKS AND RECREATION FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended December 31,			Variance favorable (unfavorable)
	2010	Actual	Budget	
Cash receipts:				
Alcohol tax	\$ 3,009	\$ 2,947	<u>\$ 3,000</u>	<u>\$ (53)</u>
Expenditures:				
Parks and recreation	<u>2,768</u>	<u>1,608</u>	<u>\$ 5,000</u>	<u>\$ 3,392</u>
Receipts over (under) expenditures	241	1,339		
Unencumbered cash, beginning of year	<u>1,926</u>	<u>2,167</u>	<u>\$ 2,000</u>	<u>\$ 167</u>
Unencumbered cash, end of year	<u>\$ 2,167</u>	<u>\$ 3,506</u>		

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part of the financial statements.

CITY OF SYRACUSE, KANSAS

SPECIAL HIGHWAY FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended December 31,			Variance favorable (unfavorable)
	2010	Actual	Budget	
Cash receipts:				
Gasoline tax	\$ 47,374	\$ 46,609	<u>\$ 48,560</u>	<u>\$ (1,951)</u>
Expenditures:				
Street maintenance	<u>51,578</u>	<u>39,943</u>	<u>\$ 75,000</u>	<u>\$ 35,057</u>
Receipts over (under) expenditures	(4,204)	6,666		
Unencumbered cash, beginning of year	<u>11,947</u>	<u>7,743</u>	<u>\$ 26,440</u>	<u>\$ (18,697)</u>
Unencumbered cash, end of year	<u>\$ 7,743</u>	<u>\$ 14,409</u>		

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part of the financial statements.

CITY OF SYRACUSE, KANSAS

FIRE FIGHTING EQUIPMENT FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended December 31,			Variance favorable (unfavorable)
	2010	Actual	Budget	
Cash receipts:				
Taxes:				
Ad valorem property tax	\$ 3,235	\$ 3,313	\$ 3,556	\$ (243)
Delinquent tax	134	78	89	(11)
Motor vehicle tax	785	743	606	137
Total cash receipts	4,154	4,134	<u>\$ 4,251</u>	<u>\$ (117)</u>
Expenditures:				
Equipment	-	-	<u>\$ 28,300</u>	<u>\$ 28,300</u>
Receipts over (under) expenditures	4,154	4,134		
Unencumbered cash, beginning of year	20,052	24,206	<u>\$ 24,049</u>	<u>\$ 157</u>
Unencumbered cash, end of year	<u>\$ 24,206</u>	<u>\$ 28,340</u>		

The accompanying notes are an integral
part of the financial statements.

CITY OF SYRACUSE, KANSAS

BOND AND INTEREST FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended December 31,			
		2011		
	2010	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
Taxes:				
Ad valorem property tax	\$ 12,253	\$ 12,732	\$ 13,284	\$ (552)
Delinquent tax	462	277	100	177
Motor vehicle tax	3,151	3,063	2,299	764
Total cash receipts	15,866	16,072	<u>\$ 15,683</u>	<u>\$ 389</u>
Expenditures:				
Bond principal	16,000	16,000	<u>\$ 17,100</u>	<u>\$ 1,100</u>
Receipts over (under) expenditures	(134)	72		
Unencumbered cash, beginning of year	1,332	1,198	<u>\$ 1,417</u>	<u>\$ (219)</u>
Unencumbered cash, end of year	<u>\$ 1,198</u>	<u>\$ 1,270</u>		

The accompanying notes are an integral
part of the financial statements.

CITY OF SYRACUSE, KANSAS

WATER, SEWER AND REFUSE UTILITY FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended December 31,			
		2011		
	2010	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
Water sales	\$ 317,849	\$ 337,810	\$ 300,000	\$ 37,810
Sewer charges	122,105	124,871	120,000	4,871
Refuse charges	150,387	152,471	155,000	(2,529)
Sales tax	9,820	10,636	10,000	636
Penalties	8,156	9,002	5,000	4,002
Interest	3,255	1,910	3,000	(1,090)
Miscellaneous	3,790	4,433	2,000	2,433
Total cash receipts	615,362	641,133	\$ 595,000	\$ 46,133
Expenditures:				
Water expense	306,741	381,513	\$ 360,000	\$ (21,513)
Sewer expense	52,385	42,069	65,000	22,931
Refuse expense	111,448	114,604	125,000	10,396
Transfers	60,000	70,000	90,000	20,000
Total expenditures and transfers	530,574	608,186	\$ 640,000	\$ 31,814
Receipts over (under) expenditures	84,788	32,947		
Unencumbered cash, beginning of year	74,824	159,612	\$ 69,323	\$ 90,289
Unencumbered cash, end of year	\$ 159,612	\$ 192,559	\$ 24,323	\$ 168,236

The accompanying notes are an integral
part of the financial statements.

CITY OF SYRACUSE, KANSAS

STREET MACHINERY FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES

	Year ended December 31,	
	2010	2011
Cash receipts:		
Transfer from general	\$ -	\$ -
Expenditures:		
Equipment	33,624	-
Receipts over (under) expenditures	(33,624)	-
Unencumbered cash, beginning of year	100,000	66,376
Unencumbered cash, end of year	<u>\$ 66,376</u>	<u>\$ 66,376</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF SYRACUSE, KANSAS

CAPITAL IMPROVEMENTS FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES

	Year ended December 31,	
	2010	2011
Cash receipts:		
Operating transfer in	\$ 10,000	\$ 10,000
Expenditures:		
Capital outlay	5,276	9,846
Receipts over (under) expenditures	4,724	154
Unencumbered cash, beginning of year	63,000	67,724
Unencumbered cash, end of year	<u>\$ 67,724</u>	<u>\$ 67,878</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF SYRACUSE, KANSAS

UTILITY DEPRECIATION RESERVE FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES

	Year ended December 31,	
	2010	2011
Cash receipts:		
Transfers	\$ 60,000	\$ 35,000
Expenditures:		
Capital outlay	62,915	-
Receipts over (under) expenditures	(2,915)	35,000
Unencumbered cash, beginning of year	269,000	266,085
Unencumbered cash, end of year	<u>\$ 266,085</u>	<u>\$ 301,085</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF SYRACUSE, KANSAS

WATER DEPOSITS FUND

CASH RECEIPTS, DISBURSEMENTS AND BALANCES

Year ended December 31, 2011

<u>Fund</u>	<u>Balance January 1, 2011</u>	<u>Cash receipts</u>	<u>Cash disburse- ments</u>	<u>Balance December 31, 2011</u>
Water deposits	<u>\$ 19,835</u>	<u>\$ 5,325</u>	<u>\$ 3,750</u>	<u>\$ 21,410</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF SYRACUSE, KANSAS

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies applied in the preparation of the accompanying financial statements is presented to assist in understanding the City's financial statements, which are presented in conformity with the cash basis and budget laws of the State of Kansas. The financial statements and notes are the representation of the City's management, which is responsible for their integrity and objectivity. The amounts shown for 2010 in the accompanying financial statements are included, where practicable, only to provide a basis for comparison with 2011, and are not intended to present all information necessary for a fair presentation in accordance with the basis of accounting as described below.

1. Reporting entity

The City of Syracuse is a municipal corporation governed by an elected mayor and five-member council. The scope of the entity for financial reporting purposes is defined as those funds for which the governing body of the City has financial accountability. Financial accountability includes budgetary authority and fiscal management responsibility. Budgetary authority is defined as authority for final approval of budgetary appropriations and revisions. Fiscal management responsibility is control of the collection and disbursement of funds. These financial statements include all funds included in the City's legally adopted budget and trust and agency funds controlled or administered by City employees in their capacity as City employees. The City has no component units.

2. Fund accounting

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The following types of funds comprise the financial activities of the City for the year of 2011:

Governmental fund types

General fund – to account for all financial transactions not properly accounted for in another fund. It receives a greater variety and number of taxes and other general revenue than any other fund and finances a wider range of activities than any other fund.

Special revenue funds – to account for the proceeds of specific revenue sources that are restricted by law or administrative action to expenditure for specified purposes.

Debt service fund - to account for the accumulation of resources for, and the payment of, interest and principal on general long-term debt, including special assessments which are general obligations of the City.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Fund accounting (continued)

Proprietary fund types

Enterprise funds - to account for operations where it is the stated intent that the costs of providing that service to the general public on a continuing basis be financed or recovered primarily through user charges.

Fiduciary fund types

Trust and Agency Funds - to account for assets held by the City in a trustee capacity or as an agent for individuals, other governments and/or other funds.

3. Basis of accounting

Statutory Basis of Accounting. The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund and an expenditure is charged in the fund from which the transfer is made.

The City has adopted a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the City to use the statutory basis of accounting.

Departure from accounting principles generally accepted in the United States of America. The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. A statement of net assets that would have shown noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance is not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the City are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences is not presented in the financial statements.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Budgetary information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in the official newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for 2011.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

A legal operating budget is not required for utility reserve funds, agency funds, and the street machinery and capital improvements special revenue funds.

Spending in funds which are not subject to the legal annual operating budget requirement are controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. Cash and Investments

The City pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in interest bearing deposits and disclosed as part of the City's deposits.

6. Ad valorem tax revenue

The determination of assessed valuation and the collections of property taxes for all political subdivisions in the State of Kansas is the responsibility of the various counties. The County Appraiser's Office annually determines assessed valuation and the County Clerk spreads the annual assessment on the tax rolls. Taxes are levied by November and a lien for all taxes shall attach on that same date until the taxes are paid. One-half of the property taxes are due December 20 and distributed to the City by January 20 and the second half is due May 10 and distributed to the City by June 5. The City draws available funds from the County Treasurer's office at designated times throughout the year.

7. Pension plan

Substantially all full-time employees are members of the State of Kansas Public Employees' Retirement System (KPERS) which is a multiple-employer state-wide pension plan. The City's policy is to fund all pension costs accrued; such costs to be funded are determined annually by the system's actuary.

8. Section 125 plan

The City offers a section 125 flexible benefit plan to employees electing to participate. It is used for health insurance premiums, other medical costs and child care costs. The plan is administered by a 3rd party administrator.

9. Other Post Employment Benefits

As provided by K.S.A. 12-5040, the City allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the City is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The American Recovery and Reinvestment Act of 2009 (ARRA), as amended, provides for premium reductions for health benefits under COBRA. Eligible individuals pay only 35 percent of their COBRA premiums and the remaining 65 percent is reimbursed to the coverage provider through a tax credit. Certain requirements are outlined by the federal government for this coverage and credit.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

10. Compensated absences

Vacation is accumulated at the rate of 10 days per year and is available after one full year of service, after 10 years of service 15 days per year is available. The City's policy requires all vacation to be used within one year after it is earned.

Sick leave is accumulated at the rate of 1 day per month not to exceed a total of 720 hours. Unused sick leave is not paid upon termination or resignation. The City's policy is to recognize the costs of compensated absences when actually paid.

11. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters; and medical needs of employees. The City purchases commercial insurance to cover health, property, liability, and worker's compensation claims. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

B. DEPOSITS AND INVESTMENTS

Policies. The City has no formal deposit and investment policies; however it does follow state statutes. K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds to have a main or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices. State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk - deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka. At year-end the carrying amount of the City's deposits, including certificates of deposit, was \$864,500. The bank balance was \$1,005,455. The bank balance was held by two banks resulting in concentration of credit risk. Of the bank balance, \$653,355 was covered by federal depository insurance, and \$352,100 was collateralized with securities held by the pledging financial institution's agents in the City's name.

C. LONG-TERM DEBT

Changes in long-term liabilities for the entity for the year ended December 31, 2011, were as follows:

<u>Issue</u>	<u>Balance beginning of year</u>	<u>Additions</u>	<u>Reductions/ net change</u>	<u>Balance end of year</u>	<u>Interest paid</u>
General obligation bonds:					
Fire Truck					
Issued August 27, 2007					
In the amount of \$160,000					
At an interest rate of -0-%					
Maturing February 1, 2018	\$ 112,000	\$ -	\$ 16,000	\$ 96,000	\$ -
Capital leases:					
Street Sweeper					
Issued April 15, 2010					
In the amount of \$154,248					
At an interest rate of 4.501%					
Maturing April 15, 2014	120,624	-	28,195	92,429	5,429
Polaris Ranger					
Issued June 15, 2008					
In the amount of \$9,600					
At an interest rate of 4.085%					
Maturing June 15, 2012	4,573	-	2,242	2,331	183
Refuse Truck					
Issued December 19, 2008					
In the amount of \$112,217					
At an interest rate of 3.999%					
Maturing December 19, 2012	45,205	-	22,159	23,046	1,808
Compensated absences	<u>17,808</u>	<u>-</u>	<u>1,228</u>	<u>16,580</u>	<u>-</u>
Total long-term debt	<u>\$ 300,210</u>	<u>\$ -</u>	<u>\$ 69,824</u>	<u>\$ 230,386</u>	<u>\$ 7,420</u>

Current maturities of general obligation bonds for the next five years and in five year increments through maturity are as follows:

	<u>Principal due</u>
2012	\$ 16,000
2013	16,000
2014	16,000
2015	16,000
2016	16,000
2017	<u>16,000</u>
Total	<u>\$ 96,000</u>

C. LONG-TERM DEBT (CONTINUED)

Current maturities of capital leases and interest through maturity are as follows:

	<u>Principal due</u>	<u>Interest due</u>	<u>Total due</u>
2012	\$ 54,841	\$ 5,175	\$ 60,016
2013	30,790	2,834	33,624
2014	<u>32,175</u>	<u>1,449</u>	<u>33,624</u>
Total	<u>\$ 117,806</u>	<u>\$ 9,458</u>	<u>\$ 127,264</u>

D. INTERFUND TRANSACTIONS

Operating transfers were as follows:

<u>From</u>	<u>To</u>	<u>Statutory authority</u>	<u>Amount</u>
Water, sewer and refuse utility	Utility depreciation reserve	K.S.A. 12-825d	\$ 35,000
Water, sewer and refuse utility	General	K.S.A. 12-825d	35,000
General	Capital improvement	K.S.A. 12-1,118	10,000

E. DEFINED BENEFIT PENSION PLAN

Plan description. The City of Syracuse, Kansas participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas Avenue; Topeka, KS 66603-3803) or by calling 1-888-275-5737.

Funding Policy. K.S.A. 74-4919 establishes the KPERS member-employee contribution rate of covered salaries at 4% for Tier I members (generally active members prior to July 1, 2009) and 6% for Tier II members (generally active members on or after July 1, 2009). The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established by statute for 2011 was 7.74%. The City of Syracuse, Kansas employer contributions to KPERS for the years ending December 31, 2011, 2010, and 2009 were \$27,301, \$24,484, and \$20,802, respectively, equal to the required contributions for each year.

F. DEBT LIMITATION

The amount of long-term debt that can be incurred by the City is limited by K.S.A. 10-308. K.S.A. 10-309 provides for certain exemptions and K.S.A. 10-311 exempts revenue bond issues from the overall limitation. Except as provided in other statutes the total outstanding bonded indebtedness during a year can be no greater than 30% of the assessed value of taxable tangible property as certified to the County Clerk on the preceding August 25. As of December 31, 2011, the City did not have any debt subject to the limitations imposed by K.S.A. 10-308.

G. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 24, 2012 the date on which the financial statements were available to be used. Management's evaluation concluded that there are no subsequent events that are required to be recognized or disclosed in these financial statements.

H. CONTINGENCIES

The City has been informed that a claim has been made relating to damages caused when the City destroyed an adjoining building. A claim has been made for approximately \$125,000. This matter will be referred to the City's insurance carrier. No loss is expected beyond the insurance policy deductible.